Chapter Seven: Developing Air Service in Iowa

INTRODUCTION

In recent years as the airline industry has struggled to maintain profitability, many communities throughout the U.S. have experienced a decline in their level of scheduled commercial air service. The current state of the commercial airline industry makes it challenging to improve air service. Unless communities are committed to the success of air service, financially and otherwise, it is even more challenging to improve air service. It is important that each community recognizes that action is needed, especially at the local level, if air service is to be maintained and/or improved. Communities need to develop strategies that are specific to their circumstances.

A summary of options to improve service at the commercial airports/communities in Iowa is presented in this chapter. Each of the following items from this study help to assess each airport's potential to support improved commercial airline service:

- Aviation industry trends
- Current airline service
- Study surveys
- Market area demand and analysis
- S.W.O.T. analysis

Background information from this study helps determine how airline service can best be maintained or improved at each airport. The following underlying factors must be in place in order to realize air service improvements:

1. Communities must have a clear understanding of the local air service environment and industry trends that may impact their ability to maintain or improve their airline service. This understanding can be gained by collecting air service data and monitoring trends.
2. An air service development program tailored to local circumstances should be in place. Air service development efforts are most effective if they are locally developed. Air service improvements begin with a well-organized community-supported air service enhancement program.
3. There are passenger reward programs airports may want to consider in order to capture more of the demand associated with their identified market area.
4. Airports may consider offering airline incentives to help mitigate the risk associated with air service improvements. The airlines, not airports, ultimately determine air service improvements, but the airports and communities they serve should be prepared to support potential opportunities for maintain and improving their air service.

Airport/community actions that could be considered to support these improvements are also discussed. The three airports in Iowa whose service is supported through the EAS program face additional issues related to air service that are noted in this chapter.

In addition, ways that the Iowa DOT's Office of Aviation can most effectively assist airports/communities in Iowa with air service improvement opportunities are discussed.

OPTIONS FOR IMPROVING AIRLINE SERVICE

There are various improvements in airline service that an airport or community can pursue. For each of the commercial airports in Iowa, the following were reviewed to determine improvement opportunities:

- **Schedule adjustments for existing service**: A flight may not be timed appropriately to conveniently meet connecting banks at hub airports. Airports may work with existing carriers to ensure that inbound and outbound flights meet connecting flights for the majority of local passengers to help avoid long layovers.
- **Flights/service needing increased reliability**: Airports should monitor flight delays and cancellations to ensure that carriers are providing reliable service. This is especially important for smaller airports with a more limited number of daily arrivals and departures. Airports can document their concerns and work with their carrier(s) to provide more reliable service.
- **Fare variances**: Airports should track the average airfare difference between their airport and alternate airports to their top destinations. Airports should work with their incumbent carrier(s) to ensure fare parity when possible.
- **Increased flight frequencies on current routes**: If a route is experiencing high load factors, an opportunity for additional flights may be viable. Airports should monitor their load factors by route and discuss opportunities for additional capacity with existing carriers.
- **Changes in aircraft type**: Another option for additional capacity on a route experiencing high load factors is the use of larger aircraft on the current route. This approach may be more feasible on flights to large hub airports that are frequently congested.
- **Economically viable new service routes**: If sufficient demand for new airline service is identified, an airport may approach a carrier (new or incumbent) to add flights. An airport must demonstrate that demand for service exists and that the carrier can make a profit providing the new service.

Table 7-1 presents a summary of the air service options developed for each of the commercial airports in Iowa, based on findings and analysis in this study.

Table 7-1
Options for Improved Airline Service

Airport	Schedule Adjustments	Reliability Improvements	Fare Variances	Increased Frequencies	Larger Aircraft on Existing Routes	Service on New Routes
Southeast Iowa Regional Airport	Support Great Lakes effort for code share agreement to access connecting flights.	Historic reliability issues have tarnished perception. Monitor new carrier performance and publish improvements.	Work with existing carrier to ensure fares via Kansas City and St. Louis hubs are reasonable.	Focus on goal to achieve 10,000 enplanements and then increasing demand levels needed for improved/ unsubsidized service.	Larger aircraft not a viable option at this time.	Determine if Kansas City or St. Louis is preferred connecting hub and work with Great Lakes to focus on one hub.
The Eastern Iowa Airport	Current flight schedule appears to be meeting connecting flight needs of customers.	Monitor on-time performance, especially on routes with below average records and discuss solutions with carriers.	Address notable fare imbalances with carriers that have service from both Moline and Cedar Rapids.	Additional flights to East/ Southeast U.S. appear viable based on current load factors; increase frequencies also possible on routes with two or fewer daily flights.	Based on load factors, additional flights or larger aircraft needed to East/ Southeast. U.S.	Pursue new nonstop service to top O&D markets, airline connecting hub, and/or on low cost carrier.
Des Moines International Airport	Current flight schedule appears to be meeting connecting flight needs of customers.	Monitor on-time performance, especially on routes with below average records and discuss solutions with carriers.	Work with carriers that fly to the same destination from Omaha and Kansas City to achieve fare parity on these routes.	Based on load factors, additional flights needed to markets with two or fewer daily flights and additional flights needed to Southeast.	Based on load factors, additional flights or larger aircraft needed to Southeast U.S.	Pursue new nonstop service to additional connecting hub or on a low cost carrier.
Dubuque Regional Airport	Current flight schedule appears to be meeting connecting flight needs of local customers.	No action needed near term. Monitor monthly delays and cancellations.	Lower fares by current carrier to top markets not served by LCCs from either CID or MLI or top markets where service from both CID and MLI is also connecting.	Based on load factors, additional capacity needed from its existing carrier to stem any further passenger loss to other airports.	Based on load factors, additional capacity needed from its existing carrier to stem any further passenger loss to other airports.	Service to second hub airport should be pursued.
Fort Dodge Regional Airport	Current flight schedule appears to be meeting connecting flight needs of customers.	No action needed near term. Monitor monthly delays and cancellations.	Identify fare difference that causes business travelers to drive to alternate airports; work with carrier to lower fares to that level.	Low loads and EAS guidelines limit opportunities for increased flights. Load factor would need to increase to 70% (without tag) to yield ridership sufficient for unsubsidized service.	Larger aircraft not a viable option at this time.	New routes not viable in near term. Focus on increasing ridership to support unsubsidized service.
Mason City Municipal Airport	Current flight schedule appears to be meeting connecting flight needs of customers.	No action needed near term. Monitor monthly delays and cancellations.	Identify fare difference that causes business travelers to drive to alternate airports; work with carrier to lower fares to that level.	Low loads and EAS guidelines limit opportunities for increased flights. Load factor would need to increase to 70% (without tag) to yield ridership sufficient for unsubsidized service.	Larger aircraft not a viable option at this time.	New routes not viable in near term. Focus on increasing ridership to support unsubsidized service.
Sioux Gateway Airport	Current flight schedule appears to be meeting connecting flight needs of customers.	No action needed near term. Monitor monthly delays and cancellations.	Identify fare difference that causes business travelers to drive to alternate airports; identify markets where lower fares could reduce diversion.	Protect current schedule by increasing load factors to at least 70%, then pursue additional flights to Minneapolis.	Improve load factors on existing flights; pursue all regional jets to Minneapolis.	Focus on supporting existing service; evaluate opportunities for low cost carrier service to leisure markets or pursue service to third hub.
Waterloo Regional Airport	Current flight schedule appears to be meeting connecting flight needs of customers.	No action needed near term. Monitor monthly delays and cancellations.	Fare differences on Northwest are notable. Work with carrier to achieve fare equality to destinations served from Waterloo, CID, and DSM	Protect current schedule by increasing load factors to at least 70%, then pursue additional flights to Minneapolis.	Improve load factors on existing flights; pursue all regional jets to Minneapolis.	Evaluate opportunities for service to an additional connecting hub.

In order to achieve air service improvements noted in Table 7-1, commercial airports in Iowa must be able to capture higher percentages of the demand associated with their market area. **Table 7-2** presents the estimated additional Iowa-generated demand needed to support the air service improvements. These estimates were developed using the previously completed market demand and S.W.O.T. analyses. For the EAS communities (Burlington, Fort Dodge, and Mason City), the estimates represent the demand that may be needed to support nonstop unsubsidized service on their existing carrier.

Table 7-2
Estimates of Iowa-Generated Demand Needed to Support Air Service Improvements

Airport	Current Enplanements	% of Total Market Area	Potential Enplanements	% of Total Market Area
Southeast Iowa Regional Airport*	7,760	9%	14,820	18%
The Eastern Iowa Airport	510,980	56%	617,130	67%
Des Moines International Airport	978,970	73%	1,084,730	81%
Dubuque Regional Airport*	47,000	34%	82,490	60%
Fort Dodge Regional Airport	7,000	12%	21,520	36%
Mason City Municipal Airport	12,160	15%	21,520	27%
Sioux Gateway Airport*	33,650	20%	122,775	72%
Waterloo Regional Airport	32,880	16%	83,980	41%

Source: Wilbur Smith Associates and Mead & Hunt
Note: *Does not include additional demand that may be generated by out-of-state air travelers.

If this demand cannot be achieved, airports/communities could consider various types of airline incentives/subsidies to help carriers off-set their risks during their initial months of operation. Various airline incentives and subsidies are discussed in a subsequent section of this chapter. After initial start-up of new service, it is assumed that potential demand estimates shown above would be available to sustain new service which would return profits to the carrier without additional subsidy.

Study analysis has shown most commercial airports in Iowa have the potential to improve one or more aspects of their current commercial airline service. The following sections discuss options airports/communities may wish to consider to act on noted air service improvements.

AIR SERVICE STRATEGIES FOR AIRPORTS AND COMMUNITIES

This section provides an overview of various tactics the commercial airports can consider to capitalize on air service opportunities. It should be recognized that commercial airports in Iowa have several of these tactics already in place. The strategies discussed below touch on each of the air service development items that all airports/communities should consider when developing air service. Airport/community actions are discussed under the following subheadings:

- Data Collection and Air Service Monitoring
- Airport/Community Air Service Development Program
- Incentives to Passengers to Increase Ridership
- Incentives to Airlines to Support New/Improved Service

Data Collection and Air Service Monitoring

This study provides information that airports/communities can use to support their efforts to maintain and improve commercial airline service. There are, however, additional data collecting activities that airports may consider that were not within the scope of this study. This section notes activities that each of the airports/communities could consider for monitoring of key air service indicators.

Data Collection for Air Service Development

Airports need to be in touch with travelers in their market area. Ideally, input should be sought from both travelers who use the airport, as well as those travelers in the airport's market area that routinely select other airports for their departures. Industry data reported by the airlines, MIDT analysis, passenger surveys, and local business air service needs evaluations provide airports with the mechanisms to:

- Determine areas that passengers are attracted from, either from within or beyond Iowa
- Identify service improvements that are most important to passengers who use the airport
- Pinpoint destinations travelers are trying to reach when they use other airports
- Identify reasons travelers elect to use other airports

Airline Industry Data

Commercial airports should monitor information that enables them to track trends and changes in air service. The airports can use data presented in Chapter One as a baseline to monitor certain air service trends. Airports should track all of the following on at least an annual if not on a weekly or monthly basis:

- Total passenger enplanements
- Average weekly departing seats by destination
- Top 30 O&D markets
- Number of enplanements to top O&D markets

- Regional distribution of O&D demand within the U.S.
- Average fares to top destinations

MIDT Market Analysis

In order to understand travel destinations for passengers in each airport's market area that always use another airport, airports should explore obtaining airline booking data or MIDT data (marketing information data tapes). This data can be obtained from Global Distribution Systems (GDS). MIDT data reflect reservations made through the major GDS systems used by travel agents. As a result of the source of this data, there are limitations in what is reported. Nevertheless, MIDT provides information not otherwise obtainable on travel needs for passengers in an airport's market area that use other airports. MIDT data includes information on the traveler's airline itinerary. Included in this information are the passenger's origination, destination, any stopovers on the trip, and the airline used.

MIDT data can help identify travel patterns for passengers in each airport's market area that drive to alternate airports to begin their airline trips. O&D travel patterns for each airport that are available from US DOT reflect only destinations for travelers in the airport's market area who use the local airport. US DOT information does not pick up the travel patterns for passengers who leave the local market area to use another airport. MIDT data provides insight into where passengers are traveling when they choose to use another airport. This type of information is often important to building a case with a carrier for service to a new destination.

Passenger Surveys

In order to have a better understanding of resident and visitor travel patterns, a system of regular passenger surveys should be administered at each airport. Although passenger surveys do not capture data on passengers that use other commercial airports, they do provide other valuable information. The following information should be collected as part of follow-on passenger surveys:

- Trip start location (city/town of residence or destination)
- Trip purpose
- Method of ticket purchase
- Destination today and air travel destinations for the past 12 months
- Number of trips per year/ per household
- Top factors influencing their airport choice
- Desired changes in air service

This information can be benchmarked against information from passenger surveys completed as part of this study. The base data can be compared to information collected during subsequent reporting periods to note significant change.

Ongoing Business Needs Assessment

An important factor in helping new airline service to succeed involves identifying travelers in an airport's market area who regularly use air service. This is especially true for travelers who use air service to meet business needs. In order to gauge the level of air travel demand, it is important for airports/communities to have an understanding of local business air travel needs including, travel budgets, number of annual trips, top destinations and client/supplier air travel needs. Annual surveys of local businesses, corporate travel coordinators, enplaning passengers, and travel agencies can be used to gather this data. In addition to local businesses that rely on commercial air travel themselves, there are also businesses who have customers or suppliers who reach them by commercial airline travel. Many airports have found it advantageous to compile a database of businesses that either use or rely on air service.

Data Collection for Community Education

Education of travel agencies, corporate travel coordinators, passengers, elected officials, businesses, and members of various community organizations/agencies is key to successful air service development. Local air service initiatives must contain an educational program that is geared to stressing the value of the local airport. Certain data should be monitored and shared with the community to help educate them on the benefits of flying locally. Airports should monitor and or reinforce:

- The air service currently available
- The "costs" of driving to an alternate airport versus the convenience and benefits derived from utilizing local airport
- Airfares at local airport to top destinations compared to alternate airports

Current Air Service Situation

Each airport should always be on the lookout for opportunities to promote good news. Communities must continuously promote and publicize the current air service available at the local airport. Any changes or adjustments in airline schedules including additional flights, new destinations, and changes in flight times should be advertised in the community. This can be done through, but not limited to, newspaper advertising, billboards, airline websites, and chamber websites, newsletters, and announcements.

In addition to promoting local service, airports should initiate programs to monitor and record canceled and delayed flights. Reliability of service is an important issue for all airports, but is of particular importance for small airports with a limited number of flights. If passengers are inconvenienced by cancelled or delayed flights, this tends to impact their decision the next time they are selecting a departure airport. Airports should monitor the number of and reasons for all flight delays and/or cancellations. This information can be collected from flightstats.com. The airline station manager is another source for this information. Information that can be collected includes:

- Number of scheduled flights
- Number of flights operated
- Completion factor
- Reason for cancellations
- Number of on-time departures and arrivals
- Number of minutes late for each late departure and arrival
- Number of lost bag claims/ percent of passengers arriving without bags

Reasons for delayed or cancelled flights can be weather related, mechanical, crew, or aircraft availability. It is worth noting that weather is the number one reason for flight delays/cancellations. If delays/cancellations are airline and not weather related, the airport needs to work closely with the airline(s) to resolve the situation. Once reliability improves, the airport should publicize on-time performance.

Analysis of the "Costs" of Driving to Alternate Airports

The "cost" of using a more distant airport varies. For example, in the case of both Fort Dodge Regional and the Southeast Iowa Regional airports, both "lose" a potential $1 million each year in federal funding because their annual enplanements have fallen below 10,000. This study concluded that annually, Iowa is losing an estimated $19 million each year from various revenue streams because travelers elect to leave Iowa and use a less convenient airport beyond the State.

There is also a cost to the consumer that can be estimated in a drive-fly analysis. Factors to consider include cost of driving to an alternate airport to begin the air portion of their trip, possibly higher costs to park, the cost of their time, and the value of convenience.

This study provides information to each of the commercial airports that shows what portion of the demand in their market area is using another airport and which airport(s) these travelers are using to begin their trips. Drive-fly analyses can help educate consumers on the actual "savings" they realize when they spend hours driving to a more distant airport. A drive-fly analysis should include the following items as they relate to driving to an alternate airport:

- Mileage cost
- Driving time/convenience cost
- Parking fees
- Lodging costs
- Airline fares
- Airline travel time (time it takes to fly and connect from local airport to final destination versus beginning trip at alternate airport)

Fare Watch Program

Airports and their communities should also be aware of conditions at other nearby airports as they relate to fares. A fare watch program can be instituted through the Internet or local travel agents. In a fare watch program, average fares to the airport's top 10 or 20 origin and destination (O&D) cities are collected on a monthly basis. The Iowa DOT Office of Aviation currently compiles this information and provides the data to the airports. If the fare watch program shows that fares from the local airport to top destinations are consistently in line with or lower than those at other nearby airports, this information can and should be publicized. Some airports use a fare watch program and distribute the information on a weekly basis via fax or email to businesses and travel agencies to alert them to the competitiveness of their fares in comparison to other nearby airports. As appropriate, this information can also be used with the incumbent carrier to achieve fare parity with other nearby airports.

Airport/Community Air Service Development Programs

With data in hand from this study and other activities described in the preceding section of this chapter, commercial airports will be in a good position to either initiate or enhance their own air service development programs. Several of the study airports already have fairly comprehensive air service development programs in place. For those airports that have not initiated their own air service development program or for those interested in expanding their existing program, this section provides suggestions on elements of air service development programs that have been successful in their communities.

Air Service Task Force and Local Champion

Local patronage and support is the number one factor that makes it possible to maintain and/or improve commercial air service. Before a community decides how to proceed with initiatives for improved air service, it must decide the priority it places on commercial air service. This prioritization process is one that needs to be considered by the community as a whole, not just the airport.

Studies by the federal government (GAO) concluded that nearly every successful air service development effort in recent years had a local champion working for air service improvements. Communities should consider establishing a task force, committee, or panel that represents business, elected officials, economic development, and other local interests to help identify how the community can best sustain and improve commercial air service. The commitment by this type of group is important to the success of air service development. A strong local task force can carry the message of importance of scheduled airline service throughout the community. In addition, the task force serves as a link between the airport and the airlines.

Since the economic value of commercial air service extends well beyond the physical boundaries of the airport, the community/airport may wish to broaden representation on the task force to include all who can benefit from improved commercial air service. A broad base of local support is highly valued by the airlines and is one of the factors the airlines consider when evaluating and comparing their opportunities for providing new service.

Air Service Development Coordinator

An airport manager/director wears many hats. While airport managers should be knowledgeable when it comes to air service and they should stay on top of air service issues and opportunities, air service development is a communitywide issue. Because of an airport manager's varied and competing responsibilities, hiring, contracting, or partnering to develop an air service development coordinator may be considered. The goal of an air service development coordinator would be to raise local awareness to secure and maintain business support of current air service and future needs. Responsibilities for an air service coordinator could include the following:

- Work closely with and support local air service task force.
- Building community relations and promoting the airport to community
- Speaking at public functions and meeting with local businesses regarding their air service needs and issues
- Tracking fares, aircraft load factors, and on-time performance for the carriers
- Researching, compiling, and analyzing data that have the propensity to influence demand for airline service
- Overseeing mailings/faxes to key airport customers
- Working to identify air service deficiencies and opportunities and developing proposals to increase air service
- Working with the media to provide positive press on the airport
- Serving as liaison to local airline station managers
- Directing passenger marketing and community education programs

It is worth noting that some airports have used grants from the Small Community Air Service Development Program to fund air service development coordinator positions. While some of the larger commercial airports have a staff member dedicated to air service monitoring and development, most of the smaller airports to do not have funds to support this type of position.

Target Audience Identification and Consensus Building

Business travelers are typically the backbone of successful air service. Business travelers have a more frequent need to use commercial air service and are generally willing to pay fares that allow the carriers to operate at a profit. Development of a strong rapport with area businesses is important to local air service initiatives.

Businesses that rely on commercial service should be educated on the importance of using the local airport and should continuously be reminded of the service available. Examples of ways other communities are building local consensus and keeping businesses engaged include:

- Individual meetings and presentations to key business who are heavily dependent on air service
- Presentations to Chambers of Commerce, economic development, or other community groups
- Monthly or quarterly newsletters

- Weekly faxes announcing fares at local airports often compared to fares at other nearby airports
- Frequent newspaper articles highlighting the airport
- "Giveaways" or prize drawings for customers who leave their business cards at the airport when traveling

Airline Marketing Package

Airlines are consistently contacted by communities requesting new or improved service. It is important that communities seeking new or improved air service have technical data to support their request. Information presented in this study, as well as additional data collected by each airport, can serve as the basis for data needed for an airline marketing package. It is important that the community focus on new service requests from the airline's perspective; will serving this airport for the first time, adding flights, or bringing in larger aircraft be a profitable venture?

Chapter Two, *Overview of the Airline Industry,* discussed airline route economics and operating costs. Airline representatives noted the following elements are analyzed and that answers to the following questions are needed before an airline enters or expands service in a market:

- Gauging local customer support - Would the community and visitors be committed to using the service?
- Determining route structure and airport's willingness to minimize local operating costs - What is the most cost-effective way to structure the service?
- Identifying current service at the airport - Will the new service be affected by competition from existing service or by service at nearby airports?
- Determining tactics for awareness - How can local passenger demand be stimulated or increased numbers of passengers attracted future viability of the service?

An airline marketing package should be prepared by each airport seeking new airline service. This package should be concise and highlight the information airlines are looking for. The following information should be included in an initial airline marketing package:

- Local information that sets the city/airport apart
  - Exceptional enplanement growth at your airport
  - Noteworthy population, disposable income, or employment growth trends
  - High business traffic volumes in market
  - Recent local economic development initiatives
  - Tourism initiative or attractions
  - Survey results, especially leakage estimates
  - Substantial, grassroots community support
- Geographic extent of the airport's market area
- Estimates of demand to new markets and well-conceived route forecast
  - Airlines do their own forecasts, but a good estimate of potential can stimulate airline interest
  - Discussion of how the airline is going to profit from the new service
- Concise explanation of airport and community support

- Demonstration of community support for the service
- Airport marketing support that is available
- Incentives/subsidies available to the airline
- Costs to do business at the airport

If applicable, it is important to set up meetings with both the marketing or mainline carrier as well as the regional partner. It is important to have strong representation from the local business community at any airline meetings. Having representation from large businesses in the airport's market area that rely on air travel is important. Once the initial marketing package has been sent, the community should continue to send updates to the carriers. Ongoing communication with airline representatives is very important to demonstrate the community's commitment to the success of the new service.

There are a number of other items that airports and the communities they serve should have in place in order to increase chances of attracting additional air service. These items include:

- Open doors to the community for the airlines; introduce local business leaders, representatives of key employers, corporate travel coordinators, and chamber of commerce and economic development representatives
- Secure and maintain business commitment to support air service improvements
- Actively support all existing air service
- Ensure airside and landside facilities meet airline and aircraft performance and technical needs
- Offer airport incentives for new service including reduced landing fees, lease/rent waivers, and/or ground handling support
- Offer additional support from the community including financial incentives or revenue guarantees if needed
- Provide cooperative marketing

Incumbent Carrier Relationship

It is also important that airports/communities not overlook opportunities to improve air service provided by their incumbent carrier or carriers. In any air service development plan, working with the incumbent carrier(s) should be a top priority. Airports should have regular meetings with their station manager(s) to keep the lines of communication open. During these meetings, airport and airline issues can be discussed. Topics that may warrant discussion include passenger load factors which may signal the need for an additional flight or aircraft with higher seating capacities, schedule changes, on-time performance, and comparative fares. This also provides an opportunity to discuss any airside or landside improvements needed by the airlines and to discuss rates and charges.

Meaningful conversations between airports and the airlines that serve them can be challenging. For example, while Mesaba provides the service and hires the local staff in Waterloo, Northwest Airlines makes decisions on all scheduling and fares to and from the Waterloo airport; these are not controlled by Mesaba. Airports/communities must sometimes work with two separate, but related, airlines to address air service needs. Commercial airports should establish a dialog with legacy

carriers who control service decisions to their airports, while continuing to work with regional partners who are actually providing the service.

Advertising and Promotion

Identifying an appropriate target audience and market area for media and print ads is important to a successful advertising program. Expenditures for marketing campaigns beyond the geographic limitations of the airport's established market area may not be an effective use of resources. Information in this study helps each airport to understand which areas they now draw their travelers from as well as which areas of the State are closest to each of the commercial airports. This information should be used as a basis for follow-on advertising efforts.

Advertising is an important part of an effective air service development strategy. While most marketing is typically focused on local travelers, if there is a specific market that generates many trips, attention should also be given to travelers coming into the market from other areas. For most airports, trying to attract business travelers should receive the highest priority in any advertising effort. Methods such as billboards, print ads in the newspaper, and radio/TV spots are used by many airports to publicize their airport and to encourage travelers associated with the market area to select the local airport for their travel.

While carriers sometimes have funds to advertise air service, most of the carriers are not using these resources to market air service for small and non-hub airports. Advertising may present an opportunity for a cooperative effort between the airport/community and its airline(s) to educate consumers on local air service. The airlines consider cooperative advertising efforts critical, especially when new or improved service is initiated at the local airport.

In addition to traditional forms of advertising, there are other methods that have been successfully implemented to help "sell" air service to the local community. Trade and convention shows, promotion of local tourist activities, and regular news articles provide a means for keeping the public informed and aware of the air service that is available locally. The more positive information that is disseminated about the airport, and air service in particular, the more likely the chances for capturing higher levels of demand.

Incentives to Passengers to Increase Ridership

Communities across the U.S. have investigated ways to provide incentives to their passengers; theorizing if demand increases, increases in service will follow. There are several strategies to increase passenger demand that should be part of a comprehensive air service development program.

Local Incentives

Other passenger incentive programs that can be considered include teaming with local restaurants and retail establishments to offer discounts or giveaways to passengers using the airport. A passenger can sign up for the airport "loyalty" program and receive a card that provides discounts in the community. The more a traveler uses the airport, the higher the level of rewards. This type of

incentive program may not require a cash outlay from the airport. Assuming that local businesses realize the importance of the airport and improved air service, rewards may be donated. This leaves only administration responsibilities for the airport.

An incentive used by Sioux Gateway Airport was a frequent flyer business lounge. The lounge was for exclusive use by members of the airport loyalty program. This lounge was built with funds from a Small Community Air Service grant and local funds. Other incentives that airports around the country use include free or discounted parking, drawings for free airline tickets, or other giveaways based on using the local airport. Assuming giveaways are donated, the airport's costs are limited to program administration.

Customer Service/Terminal Amenities

Often small and medium-sized communities must differentiate themselves from the larger, nearby airports. They can do this by providing specialized customer service experiences such as greeters, golf cart valets, live entertainment, and red carpet treatment. Terminal amenities such as free parking, a business center, and free wireless internet are other ways an airport can differentiate themselves from larger alternate airports.

Frequent Flyer Mileage Award/Cash Rebate

Mileage awards, such as double miles for originating at local airports, can be given to passengers. Bulk miles can be purchased from an airline at a discount rate. The airport can administer and reward passengers originating at the local airport. With this type of program, there is a cost to purchase the miles and to administer the program. For example, 1,000 additional miles could be deposited in a frequent flyer account. Carriers noted that it would cost $0.022 per mile to purchase bulk miles. A cash rebate can also be provided to passengers using the local airport. A source of funding for the rebate program is needed as is a way to monitor and administer the program.

Incentives to Airlines to Attract New/Improved Service

Ideally, demand at commercial airports serving Iowa will increase, making it possible for airports to improve their scheduled service. As a result of airline financial difficulties, there are fewer opportunities for new airline service. Years of poor financial performance have lead to carriers being risk adverse when it comes to starting new service. Also, there is intense competition for those opportunities that are available. In some instances, incentives (financial and other) may need to be in place before some carriers will even consider providing new or improved service.

It is important for airports to recognize that while service may be feasible according to analysis, carriers may not have the equipment (aircraft) or be willing to take a risk to provide new service. A typical response time for a carrier to actually begin new service, once a potential has been identified, may be years. Incentives the study airports may wish to consider to increase their chances for securing new airline service are discussed in this section.

Revenue Guarantees/Subsidy Arrangements

Revenue guarantees or subsidies are one method of attracting new or improved airline service. Before this type of approach is considered, airports/communities need to be confident they have demand that can make any new service profitable to the airline. Once the initial guarantees or subsidies expire, the service should be financially self-sustaining. In the current airline environment, guarantees or subsidies are most often considered for the first 12 to 24 months of operation of new service. This is the time frame needed to help the carrier offset their initial risk of providing new service.

There are various forms of subsidy including revenue or seat guarantees, "escrow" accounts, direct subsidy, and advanced ticket purchase or travel banks. In general, all of these arrangements require the airport/community to guarantee the airline will make a certain level of profit, regardless of the number of passengers that actually use the new service. Subsidy agreements are typically structured such that the airline agrees to provide so many daily trips from the local airport to another airport in return for a set fee.

In the case of seat guarantees and escrow accounts, the community puts money into an escrow account. Funds in this account can only be used to purchase tickets for the new airline service. On a monthly basis, the number of passengers who utilize the service is compared to the number of guaranteed seats. If the actual number of enplanements is less than the guaranteed level, money is taken out of the account to pay the carrier the difference. If sufficient demand is generated, in theory, it could be possible that no money would need to be withdrawn from the escrow account and the money could be returned to the providers of the funds. In a subsidy agreement, airlines require a set payment amount, regardless of how many passengers use the service.

In the past, revenue guarantees and/or subsidies for other communities have ranged from $150,000 to $3 million per year. The average revenue guarantee for new service is in the $500,000 to $1 million range. Typically, local businesses and economic development groups are asked to contribute to a revenue guarantee or subsidy agreement to show their commitment to using the new service. If a community/airport plans to go this route, they should be confident they can secure at least $2 million for at least a period of 24 months to support new service.

When funds are being solicited, it is necessary to have a strong local "champion" who can meet with local elected official, businesses, and economic development groups to educate them on the importance of commercial airline service. Some communities have been able to secure US DOT Small Community Air Service Development Program grants to assist with the revenue guarantee/subsidies. While some communities have used a combination of state/federal funds to leverage guarantees/subsidies, airlines are seeking a strong local commitment to support new service. Unless communities have a financial stake in the success of new airline service, there is a high potential the service will fail unless it is supported with on-going subsidies or revenue guarantees. The most successful instances of subsidies/revenue guarantees are those that have been locally funded. In these cases, the community is committed to the success of the service.

A few airlines have also agreed to initiate new service to airports using advanced ticket purchase or "travel banks." With travel banks, local businesses pre-purchase tickets to commit to their use of new service. This subsidy form helps ensure the feasibility of new service during the critical start-up

phase. This approach has proven successful for several communities. This type of service support is more difficult and expensive to administer than outright subsidies or escrow accounts.

As part of any subsidy program airports/communities need to consider the following:

- The type of aircraft being operated by the carrier should be acceptable. As a general rule, the smaller the aircraft, the less likely it will attract the level of ridership needed to make the new service successful. Communities need to ensure any agreement identifies the specific aircraft type(s) to be operated.
- A minimum operating period of two years should be part of any agreement. This length of time is needed for a carrier and the community to make a complete evaluation as to whether a particular service will work once financial support is withdrawn. Any legal agreements should limit the community's financial exposure to that identified as being associated with profitable service for a 24-month period. The community may wish to consider a clause releasing them from financial responsibility at the end of the first six months or year, if anticipated passenger ridership does not materialize.
- The community also needs to have input related to the carrier's schedule. Flights need to be offered to meet the traveler's requirements. If service is provided to a connecting hub airport, flights should be timed to meet departing banks and to allow sufficient connecting time. If flights are not properly timed, ridership levels may not be sufficient to support financially self-sustaining service.
- Any agreement should include some form of advertisement/marketing to support the new service. Whether provided by the local community or the airline, it is important to get the word out about new service. New service needs to be promoted heavily with frequent air travelers and businesses in the airport's market area.

Ground Handling Services

In order to alleviate equipment and personnel costs for airlines, airports can offer staffing of ground handling operations. This type of support can include checking in passengers and baggage, selling tickets, and marshalling aircraft into parking positions. Communities can also provide ground handling equipment including carts and tugs. These types of incentives make an airport more attractive by reducing airline operating costs. Several of the commercial airports in Iowa have used grants from the Small Community Air Service Development Program to purchase ground handling equipment. As a result, several of the study airports are already equipped to provide this type of incentive.

Other Types of Airline Incentives

Many airports and communities recognize that assistance to offset costs associated with new service is critical. Airports compete for new service opportunities with communities all over the country. Incentives may give an airport a competitive edge. Airports may offer cash incentives and operational credits to new and incumbent carriers to increase airline service. Airport incentives may include:

- Cash to support marketing for a new entrant airline providing service

- Waived landing fees for a specified period of time (first six months to one year of service)
- Common use or shared costs which include items such as security, skycap, tug drive, and law enforcement charges (first six months to one year of service)
- Financial incentives when new service is provided to identified target markets
- Facility start-up assistance to cover all or part of approved design and construction costs associated with new or updated facilities
- Meeting facilitation between airlines and local businesses
- Custom mailing to businesses, economic development groups, and frequent travelers in the community to announce new service
- Monthly or quarterly airport newsletter highlighting new service
- Press releases announcing service additions
- Announcement of new service on airport website
- Inaugural events in coordination with an airline's commencement of new service

Small Community Air Service Development Program Grants for Airline Incentives

When the airports are pursuing air service improvements, they should consider applying for a Small Community Air Service Development Program (SCASDP) grant from the US DOT. Since 2002, the US DOT has awarded between $10 and 20 million per year to up to 40 U.S. communities to support improved air service. The SCASDP grants are typically awarded in the summer of each year. Airports should consider developing a proposal to submit to the US DOT for a grant to assist their air service initiatives. Historically, grant requests that have included higher levels of matching funds from the local community have been more successful. The guidelines for eligibility for SCASDP grants were discussed in Chapter Two of this report. Several of the commercial airports in Iowa have successfully competed for grants from this federal program. In the most recent grant cycle, Southeast Iowa Regional Airport, serving Burlington, was the recipient of a grant from this program.

State Assistance for Airline Incentives

In addition to the federal government, airports in Iowa should work closely with the Iowa Department of Transportation (DOT) to determine the potential for assistance with their air service development efforts. The Iowa DOT may provide a source of matching funds for SCASDP grants or a source of funds for local marketing initiatives. The commercial airports in Iowa should support the creation of a statewide air service development program and, if developed, work closely with the DOT to create a program that benefits air service in Iowa.

Summary of Airport/Community Air Service Strategies

As noted, most of the commercial airports in Iowa have the potential to capture a larger portion of the demand associated with their market area. There are many components of an community's air service development program that often need to be place in order to capture a larger percent of the market area demand and/or realize air service improvements. The section above noted the strategies a community may want to consider when developing their local air service program. These strategies include data collection and monitoring, the composition of an air service development program, consideration of passenger incentives, and the development of an airline incentive package. Specific tactics and initiatives that can be considered in implementing these strategies are summarized in **Table 7-3**.

Table 7-3
Air Service Strategies for Airports and Communities

Strategy/Initiative	Description	Estimate of Potential Costs	Reference Page No.
DATA COLLECTION AND AIR SERVICE MONITORING			
Data for Air Service Development			
Airline industry data	Monitor air service trends monthly by collecting data on enplanements, seats, fares, O&D passengers, and destinations.	Limited financial cost and monthly time commitment to gather data.	7-5
MIDT market analysis	Undertake additional analysis of market to provide additional insight into community's market size and where the air service opportunities may lie. MIDT data provides background for evaluating air service needs and airline marketing.	About $10,000 per year; Duration annual service analysis. Administrative costs low.	7-6
Passenger surveys	Administer regular passenger surveys to track changes and perceptions of local passengers. Review and publish results.	Limited financial cost and moderate administrative cost.	7-6
Ongoing business needs assessment	Identify businesses that are dependent on local air service. Track business use of commercial airline service to determine needed air service options.	Limited financial cost and low administrative costs.	7-7
Data for Community Education			
Current air service situation	Track and advertise changes in current airline service. Track flight cancellations and delays in order to resolve issues with the carrier and publish improvements locally as improvements occur.	Limited financial cost and low administrative cost.	7-7
Analysis of "costs" of driving to alternate airports	Develop and publish a comparison of costs of flying from local airport versus driving to alternate airport to begin trip.	Limited financial cost and low administrative costs; should be updated regularly.	7-8
Fare watch program	Develop a local fare watch program which can list of average fares to the market's top 10 origin and destination (O&D) cities on a monthly basis. As appropriate, publicize information if it presents well for the local community or it can be used in discussions with the incumbent carrier to get parity with competing airports.	State provides at no cost.	7-9
AIRPORT/COMMUNITY AIR SERVICE DEVELOPMENT PROGRAMS			
Air Service Task Force & Local Champion	Identify local champions for change. Make ownership of air service development a community commitment, not just airport. Hold monthly meetings with key local organizations.	Limited costs.	7-9
Air service development coordinator	Hire person responsible for promoting airport in community, organizing community support for new service, airline marketing, and surveying.	$40,000+ per year per coordinator.	7-10
Target audience identification & consensus building	Increase awareness of importance of using local airport among business community. Work with press for frequent recognition of air service and improvements.	Limited costs.	7-10
Airline marketing package	Develop marketing package for airlines, attend meetings, and send monthly updates on community changes.	Costs vary. Moderate to high administrative costs.	7-11

Table 7-3 (continued)
Air Service Strategies for Airports and Communities

Strategy/Initiative	Description	Estimate of Potential Costs	Reference Page No.
Incumbent carrier relationships	Keep lines of communication open with current carriers. Understand where they stand financially overall and in market. Offer airport assistance where needed. Provide marketing assistance.	Limited costs.	7-12
Advertising and promotion	Use funds to market use of airport to passengers, both visiting and residents.	$25,000-$200,000 per airport annually; duration annual and indefinite. Administrative cost low.	7-13
INCENTIVES TO PASSENGERS TO INCREASE RIDERSHIP			
Local incentives	Partner with local restaurants and retail establishments to offer loyal passengers local rewards for using the local airport. Also, possibly offer a frequent user lounge, parking or other terminal amenities.	Administrative cost relatively high to organize and administer program.	7-13
Customer service/terminal amenities	Provide additional specialized customer service programs such as greeters and golf cart valets or terminal amenities such as entertainment and free wireless internet.	$0-$100,000 per airport annually; duration annual and indefinite. Administrative cost low.	7-14
Frequent Flier mileage award/cash rebate	Develop a cash rebate program or buy bulk frequent flyer miles from airline to increase passenger usage of local airport. Administer and reward passengers originating at local airports with 1,000 additional miles into frequent flyer account. Additional miles can be purchased in bulk at $0.022 per mile.	$500,000- $5.0 million per airport per year, based on current enplanements and FF purchasing rules. Duration unknown, most likely a multi-year program; administrative costs high.	7-14
INCENTIVES TO AIRLINES TO ATTRACT NEW/ IMPROVED SERVICE			
Revenue guarantees/subsidy arrangements	Provide financial support to remove risk of starting new service. Does not guarantee long term service, market must still be proven.	$500,000-$3 million per year, depending on carrier, equipment type used, and details of arrangement. Moderate administrative costs; high if travel bank.	7-15
Ground handling and other airline incentives	Provide upfront savings to airlines for airport operations which may help get new routes started. Use as recruitment tool for airports.	$50-$250,000 station costs and first year operating costs. Additional costs for subsequent years. Moderate administrative costs. Airport may lose income from rates and charges.	7-16
US DOT SCASDP grants	Apply for annual grant award by US DOT which funds unique air service development initiatives, including studies, marketing, and revenue guarantees.	Limited cost to develop application.	7-17
State assistance	Work with state officials to develop an air service development program to sustain and improve air service.	No cost to communities; there may be cost to State for providing matching funds for initiatives.	7-17

CONSIDERATIONS FOR IMPROVING SERVICE AT AIRPORTS SERVED BY ESSENTIAL AIR SERVICE (EAS) CARRIERS

Three commercial airports in Iowa currently have service subsidized through the US DOT Essential Air Service program. As EAS communities, Southeast Iowa Regional, Fort Dodge Regional, and Mason City Municipal airports face additional challenges and limitations when considering options for air service improvements. In addition, federal changes to the program, including funding cuts, have been considered several times.

Limitations and Challenges of the Essential Air Service Program

Over the last decade, it has been widely recognized that the EAS program has several flaws. Airline service at the three EAS airports in Iowa is provided within the following limitations and challenges of the Essential Air Service Program:

- There are no small turboprop commercial aircraft currently being manufactured, making the future flying options for the EAS carriers and airports uncertain.
- It has become cost prohibitive for several carriers to fly 30+ seat aircraft in most EAS markets; this seems to limit EAS service to 19-seat aircraft. In Iowa, however, Mesaba does provide tag service on the Fort Dodge-Mason City- Minneapolis route on the 34 seat Saab 340.
- The FAA requirement to operate 19-seat aircraft within Part 121 regulations has hastened the retirement of these aircraft from the commercial operating fleet. Because of these regulations and fuel costs, fewer airlines are participating in the EAS program.
- Some airports that participate in the EAS programs indicate that service is not always conveniently timed, reliable, or sufficiently advertised to attract passengers from their market areas.
- The selection of an EAS carrier and the approval of their service proposal is ultimately determined by the US DOT. The US DOT has been under increased pressure to reduce the costs of the EAS program. As a result, US DOT tends to select the most cost effective option, sometimes even if this selection differs from the community's preference.
- The contract is between the US DOT and the airline; the community has limited ability to work with the airline to effect change and hold the carrier responsible for the quality of the service they provide.
- Additional carriers are reluctant to provide service and compete with the carrier subsidized by the EAS program without some type of subsidy or revenue guarantee. If one or more carriers are interested in providing service to an EAS airport without a subsidy, the US DOT would discontinue an existing EAS subsidy.

Regardless of its shortcomings, the EAS program provides three of Iowa's communities with an important tool to maintain current air service. The continuance of this assistance is not necessarily guaranteed. The Essential Air Service Program will continually be evaluated with an eye toward either reducing the amount of assistance provided or restricting the eligibility of airports to participate in the program.

The rationale for cutbacks in the EAS program relate to the high subsidy per passenger costs. According to US DOT as a result of increased funding and decreased enplanements between 1995 and 2002, the per passenger EAS subsidy increased from $79 to $229. This represents nearly a 200 percent increase.

At the inception of the EAS program, its objective was to give communities and airlines time to adjust to deregulation of the airline industry in 1978. Because of cutbacks in airline service since 9/11, additional airports have been forced into the EAS program, further increasing cost of the program. The EAS program funded air service for 95 communities in 1997 at a cost of nearly $30 million. By 2007, the number of communities in the program jumped to 145 and funding increased to $109 million.

The cost of maintaining and flying small aircraft continues to rise. There have been several proposed modifications to EAS to reduce costs, including changing the eligibility requirements for participation in the EAS program. The President's FAA Reauthorization proposal for fiscal year 2008 requested just $50 million for the EAS program and redefined community eligibility to only those airports located more than 230 miles from a large or medium hub airport. Under this proposal, all EAS airports in Iowa would no longer be eligible for EAS funding.

Prior reauthorizations for the Airport Improvement Program (AIP), which funds EAS, have also called for cuts in funding and changes in eligibility to participate in the program. However, Congress, in the past, has voted to maintain funding without changing eligibility requirements. Nevertheless, this shows the potential volatility of the program. It is quite likely that without EAS support, the airline service at three of the commercial airports in Iowa could be at risk.

Strategies for EAS Airports

Southeast Iowa Regional Airport, Mason City Municipal Airport, and Fort Dodge Regional Airport and representative communities should work with the State, elected federal officials, and national associations to ensure future funding of the EAS program or advocate for changes in the EAS program that will improve the air service provided. For example, the airports could support changes to the program that will lead to additional community input into carrier selection.

The EAS communities need to express support for the EAS program and ensure that elected officials know the importance of the program. Information from this study can be used to help demonstrate not only the transportation role that air service supported by EAS program supports but also the important economic role that this airline service plays in each of the communities.

In addition to elected officials, the EAS airports and Iowa DOT should work closely with organizations such as the American Association of Airport Executives (AAAE) and the National Association of State Aviation Officials (NASAO). These organizations can assist with advocating to support the continuance of the EAS program. AAAE may also be influential with the airlines to ensure they are providing the best service possible to EAS communities. Since AAAE is a member organization, AAAE provides another vehicle to help small airports who participate in the EAS program remain active commercial airports.

Burlington should also work closely with the carrier that serves them to determine the airline's ability to increase the number of codeshare agreements it has with other carriers. Multiple code shares enable passengers to connect with many airlines, making service more attractive to customers.

If the EAS communities in Iowa have issues with the carriers who provide their service, these issues should be reported to the US DOT. The US DOT holds the contract with the airlines and if there is a breach of the agreement, the community has the right to report the breach to the US DOT to ensure that their service is what they are entitled to under the program.

AIR SERVICE STRATEGIES FOR THE IOWA DOT OFFICE OF AVIATION

Due to the role airline service plays in supporting air travel needs of businesses, residents, and visitors to Iowa, it is important for the State to remain abreast of changes occurring in the airline industry. It is important for the Iowa DOT's Office of Aviation to be aware of air service issues affecting Iowa, individual market areas, and the airports themselves. This section describes data that can be collected by the Iowa DOT's Office of Aviation to monitor and track air service performance. This monitoring and tracking should support the development of long term strategies to improve air service in Iowa.

Follow-on activities that should be considered to support air service development are also discussed here. The focus of this section is on initiatives that should be considered in the near term (next five years). Longer term efforts should be focused on monitoring air service trends, carrier plans, and shifts in service. Follow-on monitoring efforts will position the State and communities to take advantage of longer-term emerging opportunities.

State Monitoring and Tracking of Air Service Performance

The Iowa DOT collects and compiles air travel data from airports and various other sources. It is an excellent way for the State to track trends so they and the airports can respond to changes appropriately. It is important to monitor the overall health of air service.

Table 7-4 notes the data currently collected by the Office of Aviation. This data is summarized graphically on a monthly basis and distributed back to the airports and to various media outlets in Iowa. Most of the airports have noted that they find this data valuable and useful.

Table 7-4
Air Service Data Currently Collected by Iowa DOT

Data	Description	Source	Time Period Collected
Passengers	Airport enplanements and deplanements, finalized with data from FAA	Airports/FAA	Monthly/ Annual
Flights and Seats	Weekly flight departures and number of seats,by airline and destination from Iowa airports	Airports	Quarterly
Airfares	Business, leisure, and walk-up airfares to popular destinations for Iowa airports, Border and Outlying Hub Airports	State Travel Agent	Monthly
Wait Times	TSA checkpoint wait times as reported by Iowa airports and several Border and Outlying Hub airports	Airports	Monthly
Cargo	Enplaned and deplaned cargo as reported by Iowa airports and several Border and Outlying Hub airports.	Airports and FAA	Monthly

It is recommended that the Office of Aviation continue to compile data on a monthly, quarterly, and annual basis in order to track air service in Iowa. If collecting airport data on flights and seats proves difficult, schedule data can be collected through other sources such as the Official Airline Guide. Official Airline Guide data, like US DOT data, can be gathered by a consultant or purchased directly from a company that packages this type of information, such as Data Base Products. The US DOT also compiles and provides O&D survey data, enplanement data, and financial data on the Bureau of Transportation Statistics website. The State's program should track the following data:

- Business, leisure, and walkup fares to popular destinations; popular destinations should be verified each year through the US DOT O&D survey
- Scheduled seats and flights by airport in order to track capacity
- Enplanement and operational data from airports. If possible, this should be expanded to obtain information by carrier in order to track carrier trends
- Top 30 domestic Origin/Destination (O&D) markets on an airport specific and a statewide basis
- Iowa ranking for O&D passengers and fares among all U.S. states and airport rankings among all U.S. airports
- Information on the monthly reliability of arrivals and departures which can be obtained from Flightstats.com

Statewide Air Service Development Initiatives

There are several activities the State could consider in order to support air service in Iowa. They are discussed in detail below.

Support EAS

As shown in this study, the commercial airports in Iowa (including the Essential Air Service (EAS) airports) support State population and employment centers. Combined, the three EAS airports have support over 500 jobs and have an economic output of nearly $58 million. The EAS airports have proven their value to the State economy and commercial service at these airports should be preserved, if possible. The Iowa DOT Office of Aviation should continue to support the continuation of the federal EAS program or changes to the program that benefit the three EAS airports in Iowa.

Develop a Statewide Air Service Committee

Iowa should consider establishing a statewide air service committee or task force. The purpose of this task force would be to discuss potential air service improvements for commercial air service in Iowa.

In addition to airports, state tourism and economic development representatives could also be committee members to ensure that all State funding sources are considered to support air service initiatives in Iowa. This committee would provide a means for Iowa DOT's Office of Aviation to keep other groups and agencies abreast of changes in commercial air service. The Iowa DOT Office of Aviation may want to consider working with some or all of the following agencies and groups to ensure commercial air service is part of their initiatives and marketing efforts:

- Iowa Department of Economic Development
- Iowa Department of Commerce
- Iowa Division of Tourism
- Travel Federation of Iowa
- Regional tourism organizations
- CenStates Travel & Tourism Research Association

- Iowa Business Council

The Iowa DOT Office of Aviation should support the creation of a subcommittee of this larger committee that focuses on the Essential Air Service airports in the state and their special needs. This subcommittee could be comprised of the airports, State representatives, congressional delegation members, and the carriers serving the state. This committee could also work closely with the US DOT and NASAO to improve the EAS program and offer their support for future changes, if appropriate.

Fund a State Air Service Development Program

Until 2004, a $300,000 air service development program was funded and administered by the Iowa DOT annually. Recently the program has been funded at $150,000 a year to promote various air service marketing efforts at commercial airports throughout the State.

Iowa should consider developing a more comprehensive State program to assist airports with their air service development initiatives. Review of other state's programs shows that subsidizing air service with only state money has not yielded long term air service improvements. For this reason, it is recommended that State funds not be used to underwrite the entire cost of the new service. However, the State should consider providing a match to local funds for revenue guarantees or subsidies.

Other types of programs that appear to be reasonable for Iowa to consider include:

- Provide matching grants to conduct additional studies and analyses of passenger demand and air service opportunities, including MIDT analyses and additional surveying
- Provide matching grants for airports submitting proposals to the US DOT as part of the Small Community Air Service Development Program
- Provide a partial match for local airport revenue guarantees and subsidies for new airline service
- Develop a statewide marketing campaign that includes TV, radio, newsprint ads, and brochures to promote passenger use of "local" airports
- Provide funds to airports for local marketing programs
- Provide airports with Official Airline Guide scheduled departure and seat data and O&D passenger data

This list should not be considered exhaustive. The Office of Aviation should work closely with the commercial airports to ensure a program that will be the most useful for them.

State-funded programs throughout the U.S. for funding air service improvements have had varying degrees of success. Many states recognize that small communities do not typically have the resources to make the financial commitment needed to improve air service. Most state officials that have adopted an air service development program feel it is difficult to change the air service environment for many small communities without some type of financial incentives. If states are

going to participate in providing subsidies for new airline service, funds they provide should be at least matched if not exceeded by funds from the community.

A review of other state's air service development programs can be found in **Appendix B**. The programs have included subsidies, tax breaks, intrastate service, marketing funds, and an airport air service toolkit. States that have recently implemented programs include:

- Arizona: SCASDP and EAS Program
- Indiana: Intrastate Air Service Incentives
- Maryland: Regional Air Service Development Program
- New Mexico: Air Service Assistance Program
- Washington and Oregon: Northwest Region Air Service Initiative
- Wyoming: Air Service Financial Aid Act

Millions and millions of dollars have been spent in other states to subsidize airline service at their commercial service airports. While several of the programs are on-going, most of these programs have had very limited degrees of success. When the information provided in Appendix B is reviewed, one conclusion is inescapable; using state funds to subsidize a community's commercial airline service is not a particularly successful strategy for improving airline service. When communities rely exclusively on state funds to underwrite the cost of new airline service, the community has no stake in whether or not the service is actually successful. Information from the GAO indicates that if subsidies are going to be used to support new air service, potential success for service is greater if the subsidies come, at least in part, from the local sources and the end goal is to create self-sustaining service within three years.

Publish a Commercial Air Service Newsletter

The data compiled by the Iowa DOT could be summarized and dispersed to the commercial airports and the media in a statewide air service newsletter. This newsletter could contain the following information:

- Articles about how industry trends are impacting or may impact Iowa such as airline operating costs, hub changes, fleet expansions, airline mergers, EAS program changes, and other current topics
- Carrier spotlight discussing a carrier's current operating structure and expansion plans
- Year-over-year summary of key indicators for air service including changes in the number of seats by airport and airline, fares to top destinations comparing the commercial airports in Iowa with the Border Airports and Outlying Hubs Airports, and enplanements by airport

Provide an Online Public Survey of Commercial Service Needs in the State

In order to support airport's air service development efforts, the Iowa DOT Office of Aviation could develop an online survey Office of Aviation could disseminate the responses to the appropriate airports on a regular basis. Survey responses could provide airports with additional insight into the air service needs and travel patterns of their market area travelers. The website could be advertised

via press releases, airport websites, and leave-behind cards with the survey website on airport ticket counters, passenger loading gates, or parking lot booths.

Summary of Iowa DOT Air Service Strategies

Citizens and businesses benefit from the availability of air service throughout the State. The economic contribution to the State's economy, which is reported in Chapter Eight, emphasizes the need for continued support of commercial air service in Iowa. Improved air service in turn helps to underpin economic vitality and development throughout the State. The State of Iowa stands to benefit economically if opportunities for improving air service identified in this study can be implemented. The Office or Aviation has a long standing working relationship with the commercial airports in Iowa to support air service development endeavors. This study suggests additional initiatives for the State to consider to sustain and improve air service.

Iowa law governs the funds available to the Iowa Department of Transportation. The Iowa DOT Office of Aviation should coordinate with the State legislature to determine the availability of additional funding for flexible air service initiatives that meet the individual needs of the commercial airports and additional performance tracking.

SUMMARY

It is widely recognized that commercial air service has a direct link with a region's ability to maintain jobs and to compete for economic development opportunities. Air service is one of many factors that an employer evaluates when making decisions related to keeping jobs or bringing jobs to a particular community. Airline service is not just an economic development engine for a community, but it is at the core of economic vitality for communities and regions throughout Iowa. Air service benefits all business activity by providing connectivity to markets around the world.

As noted in previous chapters, the current state of the commercial airline industry makes it challenging to improve air service. All members of the community, especially business travelers, must be committed to the success of local air service. Airports in Iowa need to target efforts to have the best, but most realistic in terms of economic viability commercial air service, they can support. This chapter outlined strategies that communities should consider in their air service development efforts. Community/airport strategies include data collection and air service monitoring, community-wide air service development programs, passenger incentives, and airline incentives. Even when air service improvements can be justified and fully supported by the community, the realization of these improvements is in the hands of the airlines.

Through this study, the Office of Aviation has helped commercial airports understand their market areas and identify air service opportunities. This chapter also provided strategies for the Office of Aviation to better assist the airports with their air service development programs. While the Office of Aviation can and will continue to partner with the commercial airports on air service retention and improvement initiatives, the burden of moving forward with efforts to improve air service at individual airports serving Iowa rests primarily with those communities and regions.